

**FEDERAL
DEBT COLLECTION
CENTER
DESIGNATION**

Policy, Procedures, and Standards

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**Department of the Treasury
Financial Management Service
Debt Management Services**

Policy, Procedures and Standards for Debt Collection Center Designation

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Background

The Debt Collection Improvement Act of 1996 (DCIA) requires agencies to transfer debts over 180 days delinquent to the Department of Treasury for collection, unless the debts are in specified exempt statuses. One of these statuses is that the debts are in a debt collection center designated by Treasury for that purpose. The purpose of this document is to articulate standards and procedures for becoming a debt collection center.

Policy

For an agency to be authorized to “cross-service”, that is, collect debts on behalf of another agency, as a debt collection center, it must meet the standards detailed in the attachment to this document and follow the application procedures outlined below.

Some agencies may have debt collection centers satisfactorily “working” their own debts. However, these agencies may not want to cross-service for other agencies. Treasury will grant a one-year waiver to the transfer provision of the DCIA for debts which are being collected in an agency’s own debt collection center, provided that the agency follows the procedures outlined below. At the end of one year, Treasury will review, with the agency, its debt collection center operations and determine if the continuation of the waiver is warranted. If not, then that agency’s debts become subject to the transfer provisions of the DCIA. This does not affect the requirement that an agency transfer to Treasury all its debts over 180 days old, not otherwise in an exempt status, which are not being worked within that agency’s own debt collection center.

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Procedures

Application to be a debt collection center for cross-servicing.

The agency must submit a proposal to Treasury which contains the documentation supporting its request to be designated as a debt collection center. This documentation **must** address each point in these standards. The proposal should indicate what types of debts it wishes to cross-service since an agency may choose to specialize.

The proposals will be reviewed and evaluated for their compliance with the standards within 120 days of submission and the agency notified of the decision. Treasury reserves the right to use documentation, such as information reported to Treasury on the Report on Receivables Due From the Public, request additional information from the agency or to conduct customer surveys to validate information or otherwise assist it in evaluating the proposal. Designations are effective for one year, unless withdrawn by the agency or Treasury, and subject to reevaluation, based on the attached standards. Once designated, the agency will work with Treasury to determine the most effective and efficient method for integration into a cross-servicing network.

Application to be a debt collection center for purposes of working agency-owned debts.

The agency must submit documentation which indicates the volume and type of debts being worked in the debt collection center, what percentage or proportion that represents of the total agency volume, a description of the center's use of the various debt collection tools, and historical portfolio performance data. The documentation will be reviewed and evaluated within 120 days of submission and the agency notified of the decision. Waivers are valid for one year and apply only to the debts being worked by the center. At that time, Treasury will ask the agency to update the information submitted in the original application. This data must be provided within 30 days of request. Not providing this information

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in a timely manner could be the basis for denying the continuation of the waiver status. Treasury will reevaluate the data within 30 days and inform the agency of its decision. During this period, the debts will continue in waiver status.

At time of the initial evaluation of the documentation or the subsequent reevaluation, Treasury reserves the right to use documentation, such as information reported to Treasury on the Report on Receivables Due From the Public, and customer surveys to validate information or otherwise assist it in evaluating the exception request.

Standards

The center successfully collects its own delinquent claims.

- ▶ Uses all appropriate tools to collect its own debts
- ▶ Has indicators and data to measure performance in collecting its own debts

Measures:

- ✓ All appropriate tools includes letters, phone calls, credit bureau reporting (to all required repositories and bureaus), private collection agency referral, litigation, offset and 1099-C reporting.
- ✓ Tools must be used in accordance with Government-wide regulations, except where specific statutory exemptions or requirements exist.
- ✓ Actions must be in a timely manner, as evidenced by average age of debt over 180 days being in decline.
- ✓ Must be able to certify accuracy of Report on Receivables Due From the Public data to Treasury. Must be able to age debts, know where a specified debt is in the collection process, and be able to determine collections on delinquent debt versus non-delinquent debt.

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The center demonstrates willingness and the ability to collect debts of others in accordance with the appropriate debt collection authorities and using appropriate debt collection tools.

- ▶ Has the ability to use the appropriate debt collection tools
- ▶ Can report to Treasury information necessary to monitor debt collection performance of claims referred on a monthly basis.
- ▶ Agrees to accept accounts or provide select services when requested by an agency or Treasury under cross-servicing, including accounts which must be transferred to Treasury for cross-servicing under the Debt Collection Act of 1996.

Measures:

- ✓ Agency centers are prepared/equipped to use all tools, without sending out to other decentralized parts of agency. For example, center can prepare cases for litigation.
- ✓ Must be able to accrue all late charges, as required by referring agency.
- ✓ Must be able to provide information to referring agency sufficient for the referring agency to satisfactorily complete the Report on Receivables Due From the Public.
- ✓ Must be able to track, by portfolio, age of debt referred, dollar and number of referrals, collections on referred debts and report to Treasury on a monthly basis.

Other Agreements

Debt Collection Centers should specify the date which the agency cross-servicing function will be operational.

Agencies which are designated Debt Collection Centers should agree that if it is determined by the creditor agency or Treasury that the services provided by the Debt Collection Center are not satisfactory and the dissatisfaction is not remedied, the Debt Collection Center shall transfer the accounts in question to another

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Debt Collection Center, or the originating agency, as requested by Treasury or the originating agency.

Treasury may decertify a center if the (1) quality of the center's debts begins to decline, as evidenced by increased debt age or decreased collections; (2) the center cannot deliver services to referring agencies as agreed. This process will be in multiple steps such as the center being placed on a "watch" list for a 10% increase in debt age or decrease in collections, with a curing process initiated to resolve. Inability to cure the problems, as evidenced by no change in debt age or collections or a continuing decline of 10%, would result in agency being decertified.

Inquiries

Questions related to this document should be addressed to:

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Proposals and documentation should be addressed to:

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